

FDIC State Profile

Summer 2005

Mississippi

The Mississippi job market continues to improve.

- Year-over-year employment levels in Mississippi grew 1.24 percent (nearly 14,000 jobs) in first quarter 2005, the sixth consecutive quarterly improvement (See Chart 1).
- During the quarter, employment growth was strongest in the areas of business services, education and health, and leisure and hospitality. In contrast, job losses occurred in the telecommunications and manufacturing sectors.

Few manufacturing sub-sectors experienced job growth in the first quarter.

- Year-over-year growth in the Mississippi manufacturing sector declined 0.21 percent, the second consecutive quarterly decline. The job losses were concentrated in the apparel, chemical, furniture, and paper sub-sectors (See Chart 2). In contrast, the electrical equipment, ship and boat building, and transportation sub sectors were among the few that gained jobs in the quarter.
- Specialty furniture retailers and domestic manufacturers of furniture have experienced declining sales, while mass merchandisers such as Wal-Mart and Target boost market share with the aid of increasing volumes of lower cost products imported from Canada and China. These trends imply near-term prospects for domestic retailers and manufacturers will remain unfavorable.
- The outlook for Mississippi's total manufacturing sector is mixed, as proposed cuts in defense contracts could lead to as many as 2,500 job cuts at Northrop Grumman Corporation, a leading state employer. On the bright side, several manufacturers, including Biodiesel of Mississippi Inc, Kingsford Charcoal, and SemiSouth Laboratories, have announced plans to expand facilities and increase employment.

Proposed military base changes impact two southern Mississippi cities.

- Pascagoula and Biloxi are the metro areas most likely to be affected by the latest proposed round of base closures as by the Department of Defense. The Pascagoula Naval Station is scheduled to close while Keesler Air Force Base

Chart 1: Mississippi Employment Growth Is Improving But Lags the Nation

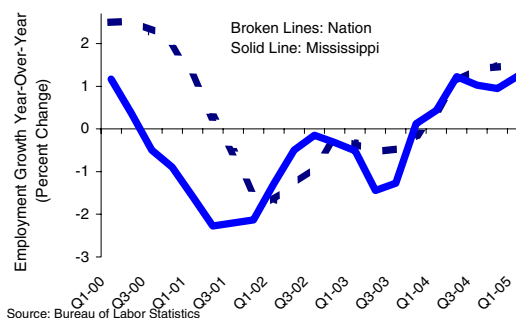


Chart 2: Transportation, and Ship & Boat Building Are Among the Few Sub-Sectors to Gain Jobs

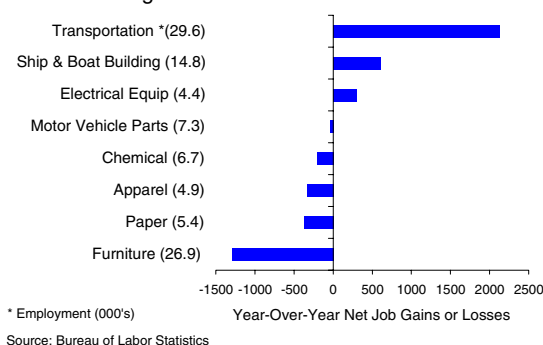
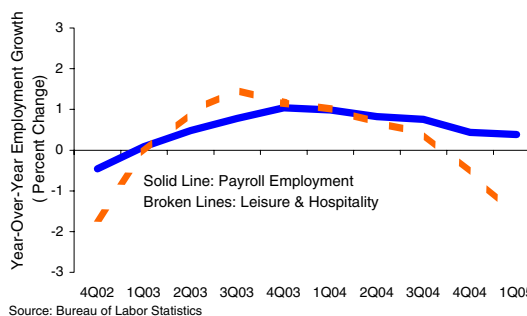


Chart 3: Job Losses in Leisure & Hospitality Are Creating Drag On Employment in Gulfport-Biloxi



State Profile

(Biloxi) is being downsized, eliminating approximately 1,400 direct jobs combined. The near-term economic impact could be less severe with improved conditions in the area's important gaming and tourism industries.

Mississippi home prices saw moderate appreciation but are below the national average.

- Historically, Mississippi home prices increased at moderate rates compared to the national average, and that trend continued during first quarter 2005. A major factor in the state's moderate home price appreciation is that demand has not exceeded supply, thus limiting highly competitive bidding which contributed to rapid price escalation in other areas of the country. Growth in income coupled with moderate increases in home prices helped the state to maintain a level of affordability above the national average.
- During the quarter, home prices in Mississippi increased 4.8 percent compared with the national level of 12.5 percent. The **Gulfport-Biloxi** metro area recorded the fastest home price appreciation in the state at 6.0 percent, while the **Hattiesburg** metro area experienced the least at 0.9 percent.

Gulfport-Biloxi's economy has been slowed by weakness in leisure and hospitality.

- In contrast to the state as a whole, the Gulfport-Biloxi economy is being hampered by four consecutive quarters of job losses in its largest employment sector, leisure and hospitality (See Chart 3). However, sectors including construction, education, retail, and government are contributing to growth.
- The anticipated fall 2005 opening of the Hard Rock Casino and the Silver Slipper Gambling Hall should bolster tax revenues and jobs in the local leisure and hospitality segment and spur stronger overall growth during the balance of the year.

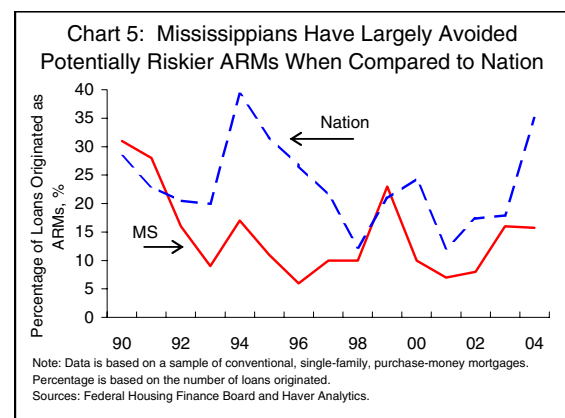
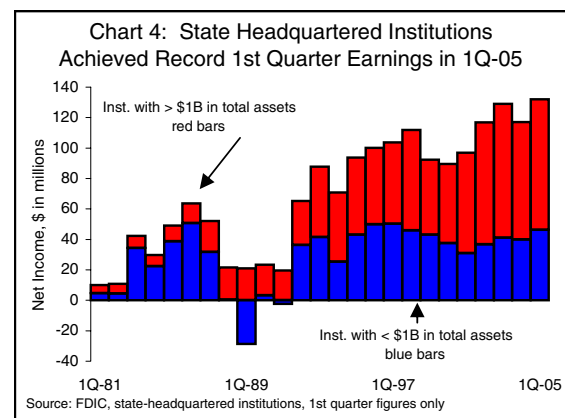
Record first quarter earnings achieved.

- State-headquartered institutions posted record first quarter earnings in 2005, with \$132.1 million in net income, surpassing the previous record of \$129 million set in 2003 (See Chart 4). The state's seven large banks¹ drove this record performance generating 65 percent of the net income. Despite the rising interest rate environment, the median return-on-assets for state-headquartered institutions moderately increased to 1.19 percent, the 11th highest rate in the nation, as of first quarter 2005.

- These strong earnings levels are attributable primarily to relatively high loan yields, strong service fee income, and lower provision expenses for loan losses.

Credit quality continues to improve, but still lags the nation.

- Reflective of the favorable economic conditions in the state, credit quality is improving. While Mississippi's median past-due ratio still ranks second highest in the nation behind Montana, this ratio has improved dramatically. As of first quarter 2005, the median past-due ratio fell 37 basis points over the past year and 107 basis points since the beginning of the last recession in first quarter 2001.
- A potential bright spot to credit quality going forward is the fact that consumers in the state have largely avoided the risk from rising rates that is inherent in adjustable-rate mortgages (ARMs). In 2004, ARMs made up just 16 percent of all loans originated in Mississippi, compared with the national average of 35 percent (See Chart 5). This bodes well for state consumers should interest rates continue to rise.



¹Institutions having more than \$1 billion in total assets.

Mississippi at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.2%	0.4%	-0.5%	-1.3%	-1.6%
Manufacturing (16%)	-0.2%	-1.0%	-5.6%	-8.2%	-8.1%
Other (non-manufacturing) Goods-Producing (5%)	0.5%	-5.7%	-4.9%	6.2%	-7.4%
Private Service-Producing (57%)	1.7%	1.5%	0.8%	-0.4%	-0.2%
Government (22%)	1.2%	0.4%	1.3%	0.4%	2.7%
Unemployment Rate (% of labor force)	7.0	5.4	6.6	6.8	5.2

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	5.1%	4.3%	2.7%	5.5%
Single-Family Home Permits	-2.8%	27.7%	2.9%	7.6%	-7.0%
Multifamily Building Permits	-36.2%	66.5%	-33.1%	-13.9%	104.3%
Existing Home Sales	7.9%	10.5%	7.0%	9.3%	15.9%
Home Price Index	4.8%	3.5%	3.2%	2.9%	5.7%
Bankruptcy Filings per 1000 people (quarterly level)	1.86	1.83	2.07	1.98	1.97

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	100	102	105	107	109
Total Assets (in millions)	43,517	41,312	39,344	37,003	36,072
New Institutions (# < 3 years)	0	1	5	8	13
Subchapter S Institutions	20	20	17	16	14

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	2.36	2.73	3.26	3.20	3.44
ALLL/Total Loans (median %)	1.53	1.51	1.52	1.44	1.39
ALLL/Noncurrent Loans (median multiple)	1.92	2.00	1.78	1.95	1.66
Net Loan Losses / Total Loans (median %)	0.25	0.24	0.23	0.25	0.25

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	10.01	9.84	9.81	9.98	9.57
Return on Assets (median %)	1.09	1.08	1.07	1.02	1.04
Pretax Return on Assets (median %)	1.50	1.47	1.44	1.41	1.42
Net Interest Margin (median %)	4.37	4.35	4.37	4.39	4.31
Yield on Earning Assets (median %)	7.10	7.01	7.15	7.34	7.72
Cost of Funding Earning Assets (median %)	2.75	2.73	2.87	3.05	3.48
Provisions to Avg. Assets (median %)	0.19	0.21	0.21	0.22	0.22
Noninterest Income to Avg. Assets (median %)	0.93	0.94	0.93	0.92	0.92
Overhead to Avg. Assets (median %)	3.22	3.25	3.23	3.21	3.16

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	59.5	58.3	59.8	58.5	59.8
Noncore Funding to Assets (median %)	21.6	20.9	20.9	20.8	20.4
Long-term Assets to Assets (median %, call filers)	11.7	14.7	14.3	12.2	14.4
Brokered Deposits (number of institutions)	17	13	10	13	12
Brokered Deposits to Assets (median % for those above)	1.7	2.4	4.1	3.5	3.5

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	77.3	71.6	78.9	78.6	76.7
Commercial Real Estate	170.3	149.0	146.7	131.2	122.3
Construction & Development	21.6	20.4	17.9	17.3	14.5
Multifamily Residential Real Estate	2.0	2.5	2.2	1.8	0.8
Nonresidential Real Estate	122.2	113.4	108.4	109.7	97.2
Residential Real Estate	180.3	180.0	177.3	175.1	187.3
Consumer	68.6	79.0	82.4	90.0	98.7
Agriculture	30.8	27.8	26.5	28.7	37.2

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Memphis, TN-MS-AR	54	25,949	< \$250 million	74 (74%)
Jackson, MS	23	7,071	\$250 million to \$1 billion	19 (19%)
Gulfport-Biloxi, MS	12	2,804	\$1 billion to \$10 billion	6 (6%)
Hattiesburg, MS	15	1,568	> \$10 billion	1 (1%)
Pascagoula, MS	11	1,288		